

MISSIONERS
ROBERT "BOB" BURNS
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MARQUEZ PETERSON



ROBERT "BOB" BURNS
Chairman

ARIZONA CORPORATION COMMISSION

May 14, 2020

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: REVISED DRAFT BLANKET ACCOUNTING ORDER FOR TRACKING COVID-19
EXPENSES (DOCKET NO. AU-00000A-20-0094)

Commissioners and Interested Parties:

Based on the discussion at the Commission's May 6, 2020 Special Open Meeting, I have revised the blanket accounting order that was considered at that time. The attached revised order now includes a more defined timeframe, specific costs that can be tracked, and a requirement to also account for savings.

I look forward to discussing this revised draft order and getting input from all concerned at the Commission's May 19, 2020 Special Open Meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Burns". The signature is fluid and cursive, with a large, sweeping "R" and "B".

Bob Burns
Chairman

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 ROBERT "BOB" BURNS – Chairman
4 BOYD DUNN
5 SANDRA D. KENNEDY
6 JUSTIN OLSON
7 LEA MÁRQUEZ PETERSON

8 IN THE MATTER OF THE COMMISSION'S
9 ESTABLISHMENTS OF A PROCESS TO TRACK
10 FINANCIAL IMPACTS OF COVID-19 ON
11 REGULATED UTILITIES AND UTILITY
12 CUSTOMERS IN ARIZONA.

DOCKET NO. AU-00000A-20-0094

DECISION NO. _____

ORDER

13 Special Open Meeting
14 May 19, 2020
15 Phoenix, Arizona

16 **BY THE COMMISSION:**

17 * * * * *

18 Having considered the entire record herein and being fully advised in the premises, the Arizona
19 Corporation Commission ("Commission") finds, concludes, and orders that:

20 **FINDINGS OF FACT**

21 **Introduction**

22 1. On March 11, 2020, Arizona Governor Doug Ducey issued a declaration of Public
23 Health Emergency due to the necessity to prepare for, prevent, respond to, and mitigate the spread of
24 the 2019 novel coronavirus ("COVID-19").

25 2. On March 12, 2020, the Commission opened Docket No. AU-00000A-20-0050
26 (COMMISSION INQUIRY INTO UTILITY PREPAREDNESS PLANS TO ENSURE SAFE AND
27 RELIABLE OPERATIONS DURING COVID-19)("COVID Preparedness Docket"). Since that date,
28 public service corporations have been filing their responses to how their operations have, or will be,
affected by the Public Health Emergency.

3. On March 19, 2020, Governor Ducey issued Executive Order 2020-09 Limiting the
Operations of Certain Businesses to Slow the Spread of Covid-19, in which the Governor ordered the
closure of certain businesses.

1 4. On March 23, 2020, Governor Ducey issued Executive Order 2020-12, Prohibiting the
2 Closure of Essential Services, among which public utilities were included as Essential Infrastructure
3 Operations.

4 5. On March 30, 2020, Governor Ducey issued Executive Order 2020-18, Stay Home, Stay
5 Healthy, Stay Connected Physical Distancing to Mitigate COVID-19 Transmission, in which all
6 individuals in Arizona were directed to limit their time away from their place of residence or property
7 limited by the need to conduct Essential Activities and maintain Essential Functions.

8 6. The COVID-19 pandemic has caused significant impacts, financial and physical, on
9 Arizona citizens and businesses, and the public service corporations and their employees that service
10 them.

11 7. On April 24, 2020, the Commission opened Docket No. AU-00000A-20-0094
12 (COMMISSION ESTABLISHMENT OF A PROCESS TO TRACK THE FINANCIAL IMPACTS
13 OF COVID-19 ON REGULATED UTILITIES AND THE UTILITY CUSTOMERS OF ARIZONA)
14 ("COVID Financial Impact Docket").

15 8. Both the COVID Preparedness and the COVID Financial Impact Dockets were opened
16 due to COVID-19 and the Commission's concerns for the physical and financial health and safety of
17 utility customers, the regulated utilities, and their employees.

18 9. The services provided by Arizona's public utilities regulated by the Commission are
19 essential for the citizens of Arizona during this pandemic crisis.

20 10. During this pandemic state of emergency, public utilities throughout Arizona have
21 proactively implemented measures to assist customers who are experiencing financial hardships related
22 to the COVID-19 pandemic. Public utilities have also implemented measures to reduce the potential
23 spread of COVID-19 to protect the health and safety of utility customers and utility employees. To
24 facilitate the review and possible recovery of prudently incurred costs associated with utilities' efforts
25 to accommodate customers and reduce the spread of COVID-19 during this time of uncertainty,
26 including costs associated with such things as suspending the termination, discontinuance, and/or
27 disconnection of services to customers for nonpayment during the COVID-19 pandemic, the
28 Commission, within this decision, will allow all rate-regulated jurisdictional utilities to track certain

1 limited costs for review in future rate proceedings before the Commission.

2 **Emergency Order**

3 11. The Commission is responsible for supervising and regulating the operation and
4 maintenance of public service corporations, including providing for their safe, economic, efficient,
5 prudent, and reliable operation and service.

6 12. The provision of public utility service is an essential service necessary for the health
7 and safety of the public and ensuring the continued provision of essential public utility services to
8 customers affected by COVID-19 promotes public safety and assists in mitigating the effects of the
9 virus.

10 13. Issuance of this emergency order of general applicability is appropriate under the
11 unique circumstances presented by COVID-19.

12 14. Accordingly, pursuant to this Decision, all of the rate-regulated public service
13 corporations within the Commission's jurisdiction, including providers of electric, natural gas, water,
14 wastewater, and telecommunications services, may begin recording, as of March 30, 2020, in
15 regulatory asset accounts, amounts that reflect the costs of maintaining services to customers affected
16 by COVID-19 whose service would have been terminated, discontinued, and/or disconnected under
17 normally-applicable terms of service, as described in this Decision, and costs incurred due to
18 implementation of measures to reduce the potential spread of COVID-19 to protect the health and
19 safety of utility customers and utility employees, as described in this Decision. Such regulatory asset
20 accounts must be maintained in a manner that will allow individual costs to be readily identified and
21 isolated in future Commission rate proceedings where utilities are seeking recovery of these reasonably
22 and prudently incurred costs.

23 15. The costs that may be tracked and recorded in regulatory asset accounts for purposes of
24 this Decision shall be limited to the following:

- 25 a. Direct costs incurred due to not disconnecting COVID-19 affected customers (except for
26 those costs incurred from June 1st through October 15th because these costs would have been
27 incurred regardless of the COVID-19 pandemic) that the utility would have otherwise
28 disconnected under normally applicable terms of service,

- 1 b. Direct costs incurred due to not charging late fees to COVID-19 affected customers (except
2 for those costs incurred from June 1st through October 15th because these costs would have
3 been incurred regardless of the COVID-19 pandemic) that the utility would have otherwise
4 charged under normally applicable terms of service,
- 5 c. Direct costs incurred due to not charging disconnect/reconnect fees to COVID-19 affected
6 customers that the utility would have otherwise charged under normally applicable terms of
7 service,
- 8 d. Direct costs incurred due to compliance with Commission mandated programs implemented
9 specifically to assist COVID-19 affected customers,
- 10 e. Direct costs incurred due to implementation of Commission approved tariffs implemented
11 specifically to assist COVID-19 affected customers,
- 12 f. Direct costs incurred to procure and provide employees, but not independent contractors,
13 with personal protective equipment, such as, but not limited to, face masks and gloves, that
14 the utility has no record of or purpose for procuring or providing prior to the COVID-19
15 pandemic (i.e., that would not have otherwise been necessary but for the COVID-19
16 pandemic),
- 17 g. Direct costs incurred to procure and improve and/or modify an office or other physical
18 space where customer-to-customer, customer-to-employee and/or employee-to-employee
19 contact occurs with special protective devices, such as, but not limited to, informational
20 signs and guidance, floor markers, line spacing, plexiglass barriers, hand sanitation stations,
21 ingress and egress controls, stanchions, and other measures that promote social distancing
22 to assist in preventing the spread of COVID-19 within areas under the utility's control, that
23 the utility has no record of or purpose for procuring or improving prior to the COVID-19
24 pandemic (i.e., that would not have otherwise been necessary but for the COVID-19
25 pandemic),
- 26 h. Direct costs incurred to procure and increase the cleaning and/or disinfecting of an
27 employee's person and or work areas and vehicles, such as, but not limited to additional
28 soap, hand sanitizer, disinfectant, paper towels, rags, or cleaning wipes, and/or contracting

1 with third-party janitorial services to increase the regular cleaning of work areas and
2 vehicles under the utility's control, that the utility has no record of or purpose for procuring
3 or increasing prior to the COVID-19 pandemic (i.e., that would not have otherwise been
4 necessary but for the COVID-19 pandemic),

- 5 i. Direct costs incurred to procure, install and use electronic devices and other equipment
6 related to implementation of telecommuting policy, such as, but not limited to, computers,
7 laptops, webcams, cellular phones, Wi-Fi hotspots, and other audio-visual devices, chords,
8 cables and adapters and increased data usage or service plans, that the utility has no record
9 of or purpose for procuring, installing, or using prior to the COVID-19 pandemic (i.e., that
10 would not have otherwise been necessary but for the COVID-19 pandemic).

11 16. It should be noted that all the costs listed above must be proven by the utility to be
12 prudent, but a showing of prudence shall not be in and of itself sufficient to have the Commission grant
13 recovery of these costs.

14 17. It should also be noted that the above costs must be shown by the utility to be above and
15 beyond what the utility would normally have incurred prior to the COVID-19 pandemic, but that such
16 a showing in and of itself shall not be sufficient to have the Commission grant recovery of these costs.

17 18. The above costs that will be allowed to be tracked and recorded will be those incurred
18 from March 30, 2020, through the date the Governor terminates Arizona's Public Health Emergency.

19 19. Nothing in this Order is intended to guarantee the recovery of all or any part of any costs
20 incurred by any utility and that have been recorded in the established regulatory asset accounts.

21 20. A public service corporation that chooses to establish a regulatory asset account for the
22 purpose of recording an amount that reflects a cost covered by this Decision shall also record any and
23 all savings realized due to the COVID-19 pandemic, so these savings may be used to offset any of the
24 costs that have been incurred due to the COVID-19 pandemic, such as listed below:

- 25 a. Savings in reduced labor costs due to layoffs/furloughs or participation in the Federal
26 Paycheck Protection Program,
27 b. Fuel and/or power savings not already passed on to customers through Commission
28 approved adjusters,

- c. Operational supply cost savings (e.g., chemicals for water treatment) due to reduced demand,
- d. Savings to operating expenses from reductions to Federal environmental controls, rules, regulations, and standards, such as those from the U.S. Environmental Protection Agency or the Nuclear Regulatory Commission,
- e. Savings to operating expenses from operational real estate and personal property cost savings, such as, but not limited to, reduced heating and cooling bills, utility bills, security services, vehicle and transportation expenses, real and personal property insurance, casualty insurance, and vehicle insurance,
- f. Savings from delaying, shifting, staggering, decelerating and/or suspending a nonessential service, repair, or capital improvement that the utility would have otherwise committed to or completed, but for the COVID-19 pandemic, and
- g. Any other operational cost savings that can be related to the COVID-19 pandemic.

21. Unlike the costs listed in Finding of Fact No. 15, which are all inclusive of the costs that shall be allowed to be tracked and recorded for purposes of this Decision, the savings listed in Finding of Fact No. 20 are not all inclusive, i.e., there may be additional savings which may occur that shall be tracked and recorded that were not anticipated at the time this Decision became effective.

22. Recognizing the fluid nature of the current circumstances surrounding the COVID-19 pandemic, the Commission will, as necessary, reevaluate this order and its terms.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over public service corporations, including but not limited to the power to prescribe just and reasonable rates and charges and make and enforce reasonable orders for the convenience, comfort, and safety, and the preservation of the health of the employees and patrons of such corporations pursuant to Article 15 of the Arizona Constitution and A.R.S. Title 40, generally.

2. Notice of this Order was provided in accordance with Arizona law.

3. It is in the public interest to allow public service corporations regulated by the Commission to establish regulatory asset accounts for the purpose of recording amounts that reflect the

1 costs and savings, beginning March 30, 2020, of maintaining service to customers affected by COVID-
 2 19 whose service would have been terminated, discontinued, and/or disconnected under normally-
 3 applicable terms of service; costs and savings incurred due to implementation of measures to reduce
 4 the potential spread of COVID-19 to protect the health and safety of utility customers and utility
 5 employees; and to allow the public service corporations to seek recovery of such costs in a future rate
 6 case.

7 ...

8 ...

9 ...

ORDER

11 IT IS THEREFORE ORDERED that in accordance with the discussion herein, all rate-
 12 regulated public service corporations subject to the Commission's jurisdiction may establish regulatory
 13 asset accounts for the purpose of recording amounts that reflect the costs as outlined in Finding of Fact
 14 No. 15, and that are incurred from March 30, 2020 through the date Governor Doug Ducey terminates
 15 Arizona's Public Health Emergency.

16 IT IS FURTHER ORDERED that any public service corporation that chooses to establish a
 17 regulatory asset account for the purpose of recording amounts that reflects the costs covered by this
 18 order shall also record any and all savings (such as those listed in Finding of Fact No. 20) realized due
 19 to the COVID-19 pandemic so these savings may be used to offset any of the costs that have been
 20 incurred due to the COVID-19 pandemic.

21 IT IS FURTHER ORDERED that any public service corporation that chooses to establish a
 22 regulatory asset account for the purpose of recording amounts that reflects the costs covered by this
 23 order, may request recovery of such costs in a future rate proceeding before this Commission.

24 ...

25 ...

26 ...

27 ...

28 ...

IT IS FURTHER ORDERED that nothing in this Decision shall be deemed to guarantee the recovery of all or any part of any costs incurred by any public service corporation and that have been recorded in the established regulatory asset accounts.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN BURNS COMMISSIONER DUNN COMMISSIONER KENNEDY

COMMISSIONER OLSON COMMISSIONER MÁRQUEZ PETERSON

IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____ 2020.

MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____